

## **Pension Advisory Board**

**26 February 2021**

### **Regulations and Governance Update**

#### **Report by the Chairman of the Pension Advisory Board**

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#### **Summary**

Members of the Pension Advisory Board (PAB) are required to maintain a suitable level of knowledge and understanding in relation to the Scheme Regulations and Guidance and should maintain their awareness of developments in the regulatory framework. This report provides a brief update on issues covered by the LGPC bulletins, by the Scheme Advisory Board at its meetings, by the Pensions Regulator, and other guidance.

#### **Recommendations**

The Board is asked to note the current issues relating to Scheme Regulations and Governance.

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#### **Proposal**

##### **1. Background and context**

- 1.1 The Board receives updates on regulatory changes at each meeting but has decided that access to the websites for the LGPS, the Scheme Advisory Board (SAB), and the Pensions Regulator (tPR) provides an additional and valuable source of information on the LGPS regulations and guidance, and to changes under consideration or consultation.
- 1.2 Reviewing current developments not only improves knowledge and understanding but also enables the Board to keep pace with these developments as they are considered by the officers and reported to the Pensions Committee.

##### **2. LGPS Bulletins and regulations**

- 2.1 Bulletins issued by the LGPC since the last meeting are:

**December Bulletin 204** including GAD guidance on the exit cap and SAB guidance on new employer flexibilities.

**January Bulletin 205** (email notice circulated at time of issue) including information about the exit cap and associated judicial reviews.

- 2.2 Full details of these are available on the LGPC website ([www.lgpsregs.org](http://www.lgpsregs.org)) under "LGPC Bulletins". Other changes or potential changes to the regulations are addressed in the Administration report – Item 10 on the agenda.

### 3. Scheme Advisory Board meetings

- 3.1 A meeting of the SAB was held (virtually) on 8 February but the reported outcome of their discussions will not be available in time for this meeting. The papers for the meetings and recent committee meetings are available on their website ([www.lgpsboard.org](http://www.lgpsboard.org)) and include references to these key issues:

**McCloud and £95k cap** – SAB are advised that a Ministerial statement on the LGPS remedy for McCloud is awaited, and that work on regulations and guidance for the £95K cap is on hold pending the outcome of the judicial reviews. There is further information on Scheme changes in the report to the Pensions Committee attached as Appendix A to this report.

However, since the SAB and Pensions Committee met, in a statement published by the Treasury on 12 February, it was announced that the £95k cap should be treated as if it never applied: citing potential "unintended consequences". HMT Directions have been published that disapply the Cap until the Regulations have been revoked. Officers and advisers are considering the further implications of this.

**Good Governance Project** – Draft implementation advice and documentation on key performance indicators, senior officer role, new Governance Compliance Statement, and the proposed independent governance review/audit process is scheduled to be consider but papers were not available on the website. Whatever SAB decide on this, it seems unlikely, given the need to draft regulations and consult, that any changes will emerge before the summer.

**Responsible Investment Guidance** – SAB has appointed a web designer to build the online A to Z guidance and is considering membership of the Responsible Investment Advisory Group (RIAG) to act as both an editorial board for future editions and as advisers to SAB on responsible investment.

**Pensions Schemes Bill** – Some aspects are expected to be applied to LGPS, as yet to be determined. These could involve climate-related financial disclosures, pensions dashboard, and funding requirements.

### 4. The Pensions Regulator

- 4.1 There are no further updates on the tPR website regarding changes to Code of Practice 14, or their e-training facilities.

- 4.2 The results of their annual governance and administration survey were issued at the end of November last year and some details of this are included in the report to the Pensions Committee (25/01/21 – Agenda Item 7 Business Plan Update) which attached to Item 8 on this agenda.
- 4.3 The 2020 survey has been issued and a response has been submitted on behalf of West Sussex.

**5. Other options considered (and reasons for not proposing)**

N/A

**6. Consultation, engagement and advice**

N/A

**7. Finance**

N/A

**8. Risk implications and mitigations**

- 8.1 ***Failure of Board members to maintain a suitable level of knowledge and understanding*** – By having this report as a standing item for each Board meeting, members are kept abreast of developments.
- 8.2 ***New training requirements imposed on the Board in relation to compliance testing*** – monitoring new developments in this way should identify potential new requirements at an early stage.

**9. Policy alignment and compliance**

- 9.1 Integral part of agreed training strategy.

**Peter Scales**

Chairman of the Pension Advisory Board

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**Appendices**

Appendix A - Pensions Committee report on Scheme Changes (25/01/21)

**Background papers**

None